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Legislation to Protect Family Members from Losing Health Care Coverage and from Unscrupulous Insurance Agents and Brokers Heads to Governor

SACRAMENTO—Assistant Majority Leader Kevin de León's Assembly Bill 2569, which seeks to prevent family members from losing their individual health care coverage through rescission, passed the Assembly Floor today on a 61 to 8 bi-partisan vote, and is now heading to the Governor's desk for consideration.

"When rescission occurs, it can be absolutely devastating and drive families into bankruptcy due to unpaid medical bills," said Assistant Majority Leader De León. "This measure will protect family members affected by rescission, and ensure that insurance brokers and agents act responsibly to prevent individuals from losing their health care coverage."

AB 2569 would implement new consumer protections by prohibiting health plans and insurers from revoking an entire family's coverage based on misinformation from a single family member, and require the health plan or insurer to continue health care coverage for family members covered prior to the rescission. This bill would also place a duty on insurance agents and brokers to assist applicants in answering health questions completely and accurately, and explain to applicants the risks and potential consequences of not providing complete and accurate information.

This measure complements AB 1945 (De La Torre), which would set up a framework for complete medical underwriting, and would prohibit the cancellation or rescission of a health care contract or policy unless the applicant intentionally misrepresented or intentionally omitted material information. AB 1945 would also establish within the Department of Managed Health Care (DMHC) and California Department of Insurance (CDI) an independent review process to examine carrier decisions to cancel or rescind individual health plan contracts or individual health insurance policies.

"Rescission" occurs when health care coverage is *retroactively* cancelled due to a health plan or insurer's determination that the contract or policy never should have existed due to missing or incomplete information submitted by the applicant. The DMHC has been grappling with this issue, and recently negotiated settlements with health plans to reinstate coverage for patients whose policies were dropped.

AB 2569 is supported by Health Access California, Latino Coalition for a Healthy California, California School Employees Association, Californians for Disability Rights, and other consumer advocacy groups. Governor Schwarzenegger has until September 30, 2008, to sign or veto bills

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